THE

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Milk Utilization Showing Small Changes In Early 1964

The Dairy Situation, Economic Research Service USDA, June, 1964

More milk was available for manufactured dairy products this year through May because farm marketings were almost 2 percent larger. During January-April 1964, use of milk for fluid purposes was up about 1½ percent, and nearly 3 percent more milk was available for manufacturing.

Use of milk and dairy products from commercial sources increased in January-April 1964 when general economic conditions were improving more than a year earlier. First quarter per capita disposable income was about 6 percent above a year earlier compared with a 3 percent rise in first quarter 1963. Combined CCC purchases and PIK exports on the other hand, were below year-earlier levels.

Because more milk was available for manufacturing, larger quantities of most dairy products were produced. Dry whole milk output, however, declined slightly and that of evaporated milk was unchanged from a year earlier. American cheese showed the greatest gain; January-April output was 10 percent higher than a year earlier. In recent weeks creamery butter and American cheese output was about the same as a year ago.

January-April sales of whole milk on an average daily basis were 2 percent above a year earlier in 84 Federal and State marketing areas. First quarter sales of skim milk and low fat items (daily basis) in comparable marketing areas increased 12 percent over a year earlier; sales of milk and cream mixtures declined 2 percent and cream sales fell ½ percent. Combined sales of fluid milk and cream in the United States on a milk equivalent basis probably are running about 1½ percent above a year earlier. Though total consumption of fluid milk is increasing again this year, national per capita consumption will probably remain about the same as last year.

First quarter disappearance data for manufactured dairy products indicate that domestic civilian consumption, on a milk equivalent basis, increased about 1 percent above the same period of 1963. This gain resulted from increased distribution of CCC supplies of butter in welfare and school lunch programs and the extra day in February 1964. The largest change in disappearance from a year earlier was in nonfat dry milk, which rose 27 percent above first quarter 1963 to a record high and was 7 percent above the previous first quarter high in 1959. Part of this gain may have occurred as a result of unreported stocks. Evaporated milk disappearance increased slightly, contrary to its long-time decline. For the first quarter, more

(Continued on Page Four)

PRODUCTION INCREASE CONTINUES, BUT AT SLOWER RATE

The Dairy Situation, Economic Research Service USDA, June, 1964

Milk production in May was 12.3 billion pounds, slightly above a year earlier. Gains occurred in the North Central and South Atlantic regions. Seventeen States, including the 3 leading milk-producing States of Wisconsin, Minnesota, and New York, increased output; 6 had no change and 27 had lower production than May

Through the first 5 months of 1964, milk output totaled 54.6 billion pounds; adjusted for the extra day in February, this was 0.6 percent over a year earlier. Milk output in the third quarter will decline seasonally, but is expected to remain at or slightly above year-earlier levels.

So far in 1964, production per cow has continued to increase above a year earlier. In May it reached a record 767 pounds, 3 percent above May 1963. During January-May, it was 151 pounds above the same period of 1963, nearly triple the 56-pound January-May 1963 increase over a year earlier. At this rate, production per cow in 1964 would exceed 7,800 pounds.

Dairy pasture conditions on June 1 were 84 percent of normal, 5 points above last year, but 2 points below the 1958-62 average for the date. Pasture conditions declined 1 point during May compared with the 1958-62 average seasonal gain of 1 point. May rainfall was below normal in most of the country, and pasture growth was slow.

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MARKET FACTS FOR EASY REFERENCE

	June 1964	May 1964	June 1963
PRICE SUMMARY			
Producers' Uniform Price (3.5%)	$3.55	$3.55	$3.54
Class I (3.5%)	4.17	4.17	4.18
Class II (3.5%)	3.11	3.12	3.803
Class III (3.5%)	——	——	3.611
Class IV (3.5%)	——	——	2.991
Producer Butterfat Differential for each one-tenth percent	7.0¢	7.0¢	7.1¢
UTILIZATION SUMMARY			
Percent of Producer Milk in Class I	65.9	65.0	67.1
Percent of Producer Butterfat in Class I	65.2	62.9	66.4
Percent of Producer Milk in Class II	34.1	35.0	7.1
Percent of Producer Butterfat in Class II	34.8	37.1	2.2
Percent of Producer Milk in Class III	——	——	5.2
Percent of Producer Butterfat in Class III	——	——	7.6
Percent of Producer Milk in Class IV	——	——	20.6
Percent of Producer Butterfat in Class IV	——	——	23.8
PRODUCER MILK RECEIPTS			
Total Pounds of Producer Milk Delivered	49,000,295	53,392,057	38,916,958
Average Daily Class I Producer Milk	1,076,372	1,119,988	870,562
Total Number of Producers	1,671	1,674	1,361
Average Daily Receipts per Producer	978	1,029	953
Average Butterfat Test	3.58	3.66	3.59
Total Value of Producers Milk at Test	$1,894,081.00	$2,088,014.13	$1,533,464.52
Income per Producer (7 day average)	$264.48	$281.65	$262.90
GROSS CLASS USE (Pounds)			
Class I Skim	31,146,591	33,504,375	25,188,747
Class I Butterfat	1,144,566	1,228,862	928,113
Class I Milk	32,291,157	34,733,237	26,116,860
Class II Skim	20,751,110	22,296,625	2,712,724
Class II Butterfat	759,078	860,387	31,349
Class II Milk	21,510,188	23,157,012	2,744,073
AVERAGE DAILY SALES (Quarts)			
Milk	394,918	410,993	286,166
Buttermilk	7,006	6,904	5,278
Chocolate	16,970	27,576	10,916
Skim	13,012	13,542	10,497
Cream	9,681	9,707	8,216

Area Extended Effective May 1, 1964

COMPARATIVE STATISTICS ☆ COLUMBUS MARKETING AREA ☆ JUNE, 1955 - '64

Year	Receipts From Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class Prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1955......	26,831,726	3.72	62.7	7.2	12.8	17.3	3.48	4.209	3.809	3.312	3.133	2,081	430
1956......	28,016,984	3.73	61.6	8.3	12.4	17.7	3.86	4.811	3.951	3.382	3.205	2,049	456
1957......	27,823,794	3.64	66.3	7.4	15.3	11.0	3.71	4.392	3.992	3.492	3.068	1,905	487
1958......	27,893,568	3.66	64.2	7.0	9.9	18.9	3.40	4.069	3.669	3.269	2.847	1,816	512
1959......	29,782,303	3.64	69.8	7.9	4.0	18.3	3.62	4.307	3.907	3.493	2.873	1,760	564
1960......	29,844,239	3.69	68.3	7.5	3.3	20.9	3.53	4.208	3.808	3.506	2.886	1,657	600
1961......	31,252,379	3.62	64.1	7.7	3.7	24.5	3.68	4.363	3.963	3.780	3.160	1,242	839
1962	34,859,645	3.61	64.4	8.0	4.6	23.0	3.45	4.12	3.769	3.552	2.932	1,313	885
1963 ...	38,916,958	3.59	67.1	7.1	5.2	20.6	3.54	4.18	3.803	3.611	2.991	1,361	953
1964	49,000,295	3.58	65.9	34.1	——	——	3.55	4.17	3.11	——	——	1,671	978

Small Price Changes During Second Quarter

The Dairy Situation, Economic Research Service USDA, June, 1964

Farmers received $3.83 per 100 pounds for all wholesale milk in the United States in May. This was 5 cents above a year earlier and the 1957-59 average for the month. Prices in the second quarter were about 6 cents above 1963 as commercial demand for dairy products continued strong. In the third quarter the wholesale milk price may continue slightly above a year earlier. The May price ranged from 6 cents above a year earlier in the Middle Atlantic, South Atlantic, and East North Central regions, to 2 cents below in the New England and West South Central regions. These differences are related to regional changes in supply-demand balances and prices of milk for fluid uses and manufacturing.

The price farmers received for milk eligible for the fluid market dropped seasonally 21 cents from March to April (to $4.34 per 100 pounds) and another 14 cents in May. However, the May price of $4.20 was 4 cents above a year earlier. The price decline resulted from the seasonal increase in milk receipts in fluid markets and seasonal declines in prices for milk used for bottling. The price of manufacturing grade milk declined 6 cents per 100 pounds from March to April and 2 cents from April to May. April and May prices for milk used in manufacturing were above a year earlier, due largely to higher prices paid farmers for milk used in butter and byproducts, evaporated milk, and miscellaneous or foreign-type cheese. In April, after adjusting for milkfat content, milk used for butter and byproducts was 7 cents above the price of milk used for American cheese and 5 cents above that of milk used for canning. The strong commercial demand for nonfat dry milk may have accounted for the higher price for milk used for butter-byproducts.

Prices paid by dealers for milk for fluid purposes moved down slightly from $5.18 per 100 pounds in April to $5.08 in May and June. The April to June decline a year ago was 8 cents. Receipts for milk in fluid markets in 1964 have increased about the same rate as Class I sales, and price changes from supply-demand adjusters in pricing formulas generally have been less than a year ago.

The milk-feed price ratio (pounds of feed equivalent in value to 1 pound of wholesale milk) was 1.26 in May, the same as a year earlier, but below the 1958-62 May average of 1.29. However, the milk-feed price ratio the first 4 months of 1964 was slightly above last year. Changes since January have been due to seasonal declines in milk prices; ratio values have been relatively steady. The milk-feed price ratio probably will be about the same in the third quarter as a year earlier.

In the second quarter the relationship of milk prices to prices for other livestock products continued more favorable to milk production than a year earlier. The manufacturing milk-beef cattle price ratio averaged 0.18 compared with 0.16 in the same period of 1963. This is the highest second quarter level since 1957. Third quarter beef prices are expected to be higher than in the second quarter, so the milk-beef price relationships will probably not be as favorable to milk production as in the last 9 months. The milk-hog price ratio for the second quarter of 1964 was about the same as a year ago, averaging 0.23. These current and prospective milk, feed, and livestock prices mean that changes in milk production in the next 6 to 12 mnths will probably be due mostly to general trend factors representing technology and feed conversion rates.

Retail dairy product prices in April averaged 1 percent above a year earlier. This was due to slight increases in prices received for milk and widening farm-retail price spreads. However, prices for packaged process cheese were up 3 percent. Retail dairy product prices in the third quarter likely will rise seasonally about 1 percent above the second quarter and above year-earlier levels.

MILK UTILIZATION SHOWING
(Continued from Page One)

cheese disappearance occurred from current output and less from commercial stocks than a year earlier.

January-April data for milk in all products on a milk equivalent basis show a 1 percent gain in consumption from commercial sources above 1963. However, declining use on farms producing milk, because of fewer persons on such farms, is expected to cause a slight decline in national per capita consumption of milk in all products (milk equivalent, fat solids basis).

CCC purchases of butter and nonfat dry milk (delivery basis) in January-May 1964 were below the same period of 1963. PIK exports of nonfat dry milk during this period were above 1963, and the PIK program for butter and milkfat products, which began November 1, 1963, was expanded further. However, combined CCC deliveries and PIK exports for both butter and nonfat dry milk were below year-earlier levels. Cheese deliveries to CCC were up, even though both commercial stocks and domestic outlets absorbed some of the production gain in American cheese production from a year earlier. The January-May pattern of CCC purchases and of milk production suggest that CCC purchases in calendar 1964 will be near the 7.7 billion pounds of milk equivalent bought last year.

Dairy Stocks In Contraseasonal Decline

The Dairy Situation, Economic Research Service USDA, June, 1964

On May 1, stocks of all dairy products were down about a half billion pounds of milk equivalent (fat-solids basis) from April 1. This compares with a 0.5 billion pound average increase during April for 1957-59 and during April 1963.

This year's drop during April resulted from a heavy movement of butteroil out of Government holdings. The Government inventory of nonfat dry milk — not used in computing milk equivalent of total stocks — also declined heavily, from 410 million pounds at the start of April to 325 million on May 1.

Government cold storage holdings of butter declined slightly from 155 million pounds on May 1 to 154 million on June 1. This is the first May decline since 1956. American cheese cold storage stocks in Government hands rose slightly from 9 million pounds on May 1 to 11 million on June 1, bringing them to about 40 percent of the June 1, 1963, level.

In addition to drawing heavily on its inventory of nonfat dry milk, the Government also bought 33 percent less powder in January-May than a year earlier. Reasons for fewer purchases include about one-third increase in domestic commercial disappearance of nonfat dry milk above a year earlier and heavy commercial exports through the PIK program. The first-quarter gain in domestic commercial use may be smaller than indicated by disappearance. Apparently sizable unreported stocks in the hands of firms contracting with CCC or exporting under the PIK program are included in first quarter disappearance. These unreported stocks will show up as exports or deliveries to CCC later in the year.

Market Quotations

JUNE 1964

MINNESOTA - WISCONSIN PRICE SERIES	$3.11
MIDWEST CONDENSERIES 3.5% per Cwt.	2.985
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.026
Average Weekly Cheddars price per lb.	.3375
Average Price per lb. 92-score butter at Chicago	.5797
Average carlot prices non-fat dry milk solids, roller and spray process, f.o.b. manufacturing plant	.1424

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